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E.O. 12958: DECL: 06/29/2016

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SUBJECT: ECONOMIA OFFICIAL REACTS TO TRUCKING PROGRAM
POSTPONEMENT

Classified By: ACTING ECON CHIEF JKESLER FOR REASONS 1.4(B) AND (D)

11. (C) Summary: On the side of a June 29 lunch meeting to discuss DDA negotiations, Ken Smith Ramos, Economia Director General of International Trade Negotiations under U/S Villalobos, expressed to Econoff Economia's strong frustration regarding the U.S. decision to postpone the pilot trucking program. Smith feared this would have negative political consequences for the Fox administration and for the PAN, is bad timing given the imminent presidential elections, and would likely be used by political opponents to push the message that the U.S. is not prioritizing the bilateral relationship or deepening of NAFTA. End summary.

12. (C) Smith warned that the U.S. decision could create a Mexican backlash and cost both countries millions of dollars. He said the GOM sees no relationship between the trucking issue and the U.S. immigration debate, adding that Mexico is disappointed by the series of delays which now appear indefinite. He wondered what signal the U.S. decision would have for SPP and the Council for Competitiveness, and said some Mexicans would ask why they should move on intellectual property or regulatory cooperation when the U.S. is not willing to move on trucking.

13. (C) Smith requested a recommendation from the USG on how to resolve this issue, and said the worst result would be "radio silence" in which the U.S. gives no indication of how this issue will move forward. He said that in future the two governments should create a joint strategy to manage political decisions affecting both countries' interests. Where is the Plan B, he asked, suggesting that while a delay of perhaps two to four weeks would be tolerable, a postponement until November, when Mexico will be at the height of its political transition, will result in a non-implementable agreement.

14. (C) Comment: While Economy Secretariat officials expressed their frustration with the U.S. decision, others in the GOM may have breathed a sigh of relief because of internal opposition to implementing a cross-border trucking program, such as the trucking union, CANACAR (Camara Nacional Del Autotransporte De Carga). Still, the U.S. could be accused of not following through on a NAFTA promise, which may allow this or the next Mexican administration to use the cross-border trucking example as a reason not to comply with certain NAFTA provisions. It is not clear whether there will be a better time in future for the pilot announcement and, following the elections, there may be declining Mexican political will to move forward with the program.

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